Government of
Saskatchewan

2006
Annual Report

Public Employees
Dental Fund

2007-04705/

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Saskatchewan
Finance

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

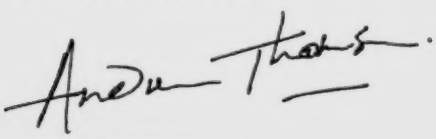
Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the sixteenth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2006.

I have the honour to be, Sir,

Your obedient servant,



Andrew Thomson
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

The Honourable Andrew Thomson
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the sixteenth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2006.

Respectfully submitted,

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Dental Fund

Introduction

The Public Employees Dental Plan was established on February 1, 1982.

The intent of the Plan is to promote good dental health by reducing costs for preventive, routine and major restorative dental work.

Coverage is provided to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also eligible for coverage under the Plan.

As at December 31, 2006 there were approximately 27,119 insured employees.

Participating Employers

The following employers participate in The Government of Saskatchewan Public Employees Dental Plan:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Cafeteria Board of Saskatchewan
Chief Electoral Officer (Office of the)
Children's Advocate (Office of the)
Crown Investments Corporation of Saskatchewan
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Information Services Corporation of Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Meewasin Valley Authority
Milk Control Board
NDP Caucus Office
Ombudsman (Office of the)
Power Greenhouses Inc.
Prairie Diagnostic Services Inc.
Provincial Auditor (Office of the)
Rentalsman (Office of the)
Sask Pork
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Centre of the Arts
Saskatchewan Communications Network Corporation
Saskatchewan Crop Insurance Corporation
Saskatchewan Government Insurance
Saskatchewan Human Rights Commission
Saskatchewan Institute of Applied Science and Technology
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
SaskEnergy Incorporated
SecurTek Monitoring Solutions Inc.
St. Louis Alcoholism Centre Board of Governors
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer
Chief Electoral Officer
Children's Advocate
Conflict of Interest Commissioner
Information and Privacy Commissioner
Judges of the Provincial Court
Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*
Ombudsman
Provincial Auditor
Rentalsman
Supervising justice of the peace, appointed under section 3 of *The Justices of the Peace Act, 1988*

Administration

The Public Employees Dental Plan is self-insured and is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The Great-West Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

Funding

Funding for the Plan is totally employer paid as a percentage of gross salary. Effective April 1, 2003, premium funding was paid at a straight rate of 0.9% of gross salary.

Effective April 1, 2006, premium funding was paid at a straight rate of 1.4% of gross salary.

Benefits

The Plan provides three levels of coverage as follows:

		Reimbursement
Level I	Preventive Services	100%
Level II	Basic & Routine Services	75%
Level III	Major Restorative Services	50%

Eligible dental expenses are reimbursed to a maximum of the fees outlined in the suggested fee guide issued by the College of Dental Surgeons of Saskatchewan.

Additional coverage for enhanced dental benefits has been provided for certain employer and union groups.

Premiums/Claims Experience

	Dec 31, 2006	Dec 31, 2005
Premiums	$21,512,380	$15,234,164
Claims	$18,812,052	$17,793,821
# Claims Paid	90,000	87,708

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Dental Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Dental Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Public Employees Dental Fund for the year ended December 31, 2006 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 26, 2007

PUBLIC EMPLOYEES DENTAL FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Dental Fund as at December 31, 2006 and the statements of operations and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 26, 2007

Fred Wendel, CMA, CA
Provincial Auditor

PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF FINANCIAL POSITION

STATEMENT 1

AS AT DECEMBER 31

	2006	2005
ASSETS		
Due from General Revenue Fund (Note 3 and 7)	$3,983,296	$2,332,123
Employer contributions receivable (Note 7)	1,985,641	746,373
Investments (Note 4)	2,184,094	3,397,582
Total Assets	$8,153,031	$6,476,078
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable (Note 7)	$ 102,103	$ 113,510
Provision for unpaid claims (Note 8)	599,443	754,798
Total Liabilities	701,546	868,308
NET ASSETS (STATEMENT 2)	7,451,485	5,607,770
TOTAL LIABILITIES AND NET ASSETS	$8,153,031	$6,476,078

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF OPERATIONS AND NET ASSETS

STATEMENT 2

YEAR ENDED DECEMBER 31

	2006		2005
	Budget (Note 9)	Actual	Actual
REVENUE			
Employer contributions	$21,510,000	$21,512,380	$15,234,164
Interest (Note 3)	117,000	172,336	193,248
	21,627,000	21,684,716	15,427,412
EXPENSES			
Claims incurred	19,320,000	18,812,052	17,793,821
Adjudication fees	886,000	845,850	807,072
Administration expenses (Note 5)	238,968	183,099	170,874
	20,444,968	19,841,001	18,771,767
Surplus / (deficit) for the year	1,182,032	1,843,715	(3,344,355)
NET ASSETS, BEGINNING OF YEAR	5,607,770	5,607,770	8,952,125
NET ASSETS, END OF YEAR (STATEMENT 1)	$ 6,789,802	$ 7,451,485	$ 5,607,770

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF CASH FLOWS

STATEMENT 3

YEAR ENDED DECEMBER 31

	2006	2005
Cash flows from (used in) operating activities:		
Employer contributions received	$ 20,273,112	$ 14,914,906
Interest received	89,957	80,794
Claims paid	(18,967,408)	(18,252,667)
Administration expenses paid	(187,630)	(185,142)
Adjudication fees paid	(852,725)	(871,309)
	355,306	(4,313,418)
Cash flows from (used in) investing activities:		
Purchase of investments	(10,714,133)	(21,336,920)
Proceeds from disposal of investments	12,010,000	18,300,000
	1,295,867	(3,036,920)
Net increase (decrease) in cash	1,651,173	(7,350,338)
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	2,332,123	9,682,461
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$ 3,983,296	$ 2,332,123

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES DENTAL FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. Description of the Fund

The Public Employees Dental Fund (Dental Fund) is used to account for the transactions of the Public Employees Dental Plan (Plan). The Plan was established February 1, 1982 and continues under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services. The Plan consists of core and enhanced dental benefits.

The Plan is funded entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan as defined by the *Public Service Act*, and certain Saskatchewan crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Participating employers pay for the core benefits by contributing a straight percentage of gross salary. The contribution rate for core benefits was changed from 0.9% to 1.4% effective April 1, 2006.

Enhanced dental benefits are provided to employees of certain participating employers. Each participating employer pays for any enhanced benefits it provides to its employees. Some participating employers pay for these enhanced benefits based on the actual cost of providing these benefits. Other participating employers pay for these enhanced benefits by contributing a straight percentage of gross salary or a predetermined amount per employee. These employers are responsible to ensure amounts contributed are sufficient to pay for the enhanced benefits and administration costs. If amounts contributed are not sufficient to pay for the enhanced benefits and administration costs, the employers must remit additional contributions. Where contributions exceed the enhanced benefits and administration costs, employers may seek a refund of surplus contributions by submitting a formal request to the Fund. During the year, the Fund received no such requests. At December 31, 2006, accumulated surplus of $177,353 relating to the enhanced benefits is included in net assets.

The Public Employees Benefits Agency (PEBA) administers the Plan. Under an agreement with Great-West Life Assurance Company, claims are adjudicated and processed for payment.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Unpaid Claims

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year end and an estimate of claims incurred but not reported based upon past claims experience.

d) Accounts Payable

The estimate of adjudication expenses to be incurred on claims not yet paid is included in the provision for accounts payable. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes.

e) Investments

The Dental Fund only invests in short-term investments. Short-term investments are recorded at cost.

3. Due from General Revenue Fund

The Dental Fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty-day borrowing rate, and the Dental Fund's average daily bank account balance. The Government's average thirty-day borrowing rate in 2006 was 3.95% (2005 – 2.56%).

4. Investments

The investments are comprised of bank notes and commercial paper. The outstanding investment at the end of 2006 had an effective interest rate of 4.29% (2005 – 3.35% to 3.53%) and an average term to maturity of 31 days (2005 – 60 days). Investments are purchased through the Treasury and Debt Management Branch of the Department of Finance and are subject to their investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R1" as rated by the Dominion Bond Rating Service, except for the Provincial paper.

5. Administration Expenses

PEBA administers the Dental Fund for a mutually agreed upon fee. The Dental Fund pays these administration expenses on dates agreed to by PEBA. Included in accounts payable is $11,433 (2005 - $15,964) due to PEBA.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Dental Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). These transactions are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contribution receivables are from related parties.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Fair Value of Financial Instruments

For the following financial instruments the fair value approximates their carrying value due to the immediate or short-term nature of these instruments:

a) due from General Revenue Fund;
b) employer contributions receivable; and
c) accounts payable.

The Dental Fund is exposed to minimal credit risk from the potential non-payment of employer contributions receivable as these receivables are from government agencies and were collected shortly after year-end.

The method and assumptions used to estimate the fair value of the provision for unpaid claims are described in Note 8.

8. Provision for Unpaid Claims

The provision for unpaid claims includes claims that have been incurred but not yet reported at year end.

Management estimated the claims incurred but not reported at year end totaled $552,182 (2005 - $754,798). The establishment of the estimate for unpaid claims incurred but not yet reported relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term. However, dental claims are short-tail claims and tend to be reasonably predictable.

In 2006, the Dental Fund paid $699,111 related to claims incurred prior to December 31, 2005.

The fair value of claims incurred but not reported at year end has been omitted because it is not practicable to determine fair value with sufficient reliability.

9. Budget

PEBA approves the annual budget for the Dental Fund.